

**USAID/Malawi**

**Annual Report**

**FY 2004**

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## Malawi

### Performance:

Country Setting: Malawi's infant and under-five mortality rates (104 and 189 respectively) have both decreased on an average of 2% to 3% for the last decade, but chronic malnutrition remains at about 49% and maternal mortality rates (1,120 per 100,000 births) remain unacceptably high. HIV/AIDS prevalence is static at 15%, and overall life expectancy at birth is now down to under 40 years. Gross domestic product per capita was down to \$160 at the end of 2002. Total gross reserves reduced to 2.8 months of import cover in September 2003 from 4.0 months in September of the previous year. Consequently, the Malawi Kwacha-to-U.S. dollar exchange rate depreciated by 27% on an average annual basis to 109 in September 2003. A recent survey in six zones of the country found that one-third of all households and one-half of female-headed households host at least one orphan, and 30% of households care for at least one chronically ill person. Although significant financial resources are being provided by USAID and other donors to meet needs in child health, HIV/AIDS, and maternal and reproductive health, the efforts continue to be hampered by fundamental constraints in human, technical and structural resources.

The food emergency of 2002-2003 exacerbated the problems. At the peak of the crisis in February 2003, nearly one-third of the population, or 3.3 million people, were dependent upon food aid. Over the FY 2002-2003 period, USAID/Malawi was in the forefront of coordinating the USG's provision of over 150,000 metric tons of P.L. 480 food, as well as non-food aid, for a total response of about \$90 million. USAID's leadership in fostering effective donor, NGO, and government collaboration in responding to the crisis was recognized by the Administrator as a model for the region. Since the crisis response the Mission has focused on examining options for a food security activity to address chronic food shortages and nutritional needs of vulnerable groups. A P.L. 480 Title II Development Assistance Program (DAP) complemented by modest DA funding is emerging as the appropriate response.

With the relative success of the April 2003 harvest, Malawi started to emerge from the food crisis. The GOM began to improve its fiscal management and economic performance, and in October 2003, the IMF, World Bank, and several bilateral donors approved resumption of financial support to Malawi after a two-year hiatus due to fiscal and monetary slippage. The GOM revised the real GDP growth rate in 2003 to 4.5%, and the GOM estimates growth to be maintained at 4.3% in 2004 and around 4% for the following few years. Note: Non-GOM sources accept that actual growth rates are closer to 2.5% to 3%.

Achievements under Malawi's Poverty Reduction Strategy Paper (PRSP) launched in 2001 are modest to date. Malawi has the potential to increase growth and reduce massive poverty if the GOM commits itself to the PRSP and the IMF program. However, there are some signs that GOM commitment is waning, with the potential for poor economic performance and consequent less-than-anticipated growth. Continued release of financial support by the IMF is premised on improved fiscal performance. Further releases of budgetary support by most bilateral donors are also contingent on clear guidance from the IMF on improved GOM performance in several spheres. It is critical that the GOM stay on track.

The outcome of the May 2004 elections will have an important effect on GOM commitment to the PRSP. The intense debate on a proposed constitutional amendment to allow for a third term for the incumbent president highlighted the increasing political polarization. This is also reflected in lower scores for both political and civil liberties on the Freedom House Index for Malawi for 2003. Malawi scored only 2.8 out of 10 in the November 2003 Corruption Perception Index report by Transparency International, where 10 is "highly clean" and zero is "highly corrupt," indicating a substantial level of dissatisfaction among citizens with the growing levels of corruption. Local news reports record little evidence that the powerful are held accountable for their actions.

There is evidence that some citizens are becoming more active in democratic processes. A 2003 survey recorded that citizens in USAID target areas increased their engagement in democratic processes to 35.8%, e.g. they reported taking a civic action such as attending a meeting, raising an issue in a public forum, or attending a demonstration, as compared to the national level of only 12%. The baseline for both of these figures was 25.7%. The decrease at the national level is commensurate with Malawi's decreased ratings by Freedom House and Transparency International for 2003. The data suggest that the political stakes are increasing as the 2004 elections draw closer, and imply that 2004 will be a critical year for Malawi's democracy.

In spite of the uncertain political and economic environment and the demands of the food emergency, the Mission was able to achieve significant developmental results. As discussed in more depth during the Mission's Triennial Review December 2-4, 2003, and recorded in the individual SO performance reviews in this Annual Report, despite serious funding constraints and a difficult operating environment the USAID/Malawi program is making excellent progress toward achieving its stated objectives.

USAID Program: The State Department - USAID joint strategic goals in Malawi are three-fold: economic prosperity and security, democracy and human rights, and social and environmental issues. The USAID program has Strategic Objectives (SOs) in the following four areas: sustainable economic growth (SEG); democracy and governance (D/G); health, population, nutrition, and HIV/AIDS (HPN); and basic education (EDU). The current strategy achieved significant results in FY 2003:

- Sustainable Economic Growth: The performance of the agriculture sector in FY 2003 was mixed, but the USAID program demonstrated some significant successes. The total value of goods marketed through all farmers' associations (e.g. crop and diary) grew 26% in 2003, reaching nearly \$1.2 million. About 75% of these goods were exported through linkages fostered by USAID-financed partners. This trade capacity-building activity also linked the farmers' associations with private importers to bring in 9,300 metric tons of fertilizer on a consignment basis. A Malawian microfinance organization obtained a banking license and became Malawi's first microfinance bank, Opportunity International Bank of Malawi. In its first three months of operation it enrolled 3,000 savers (about 73% women), of whom 45% had never had a bank account before. Net benefits to communities from improved natural resource management reached \$156,000 in 2003.

In addition, USAID's investment leveraged 150% more from private firms and 10 times more in other donor funding through two Global Development Alliances in economic growth. In cooperation with the Central East African Railways Company, Limited (CEAR), the British Department for International Development, and the GOM, USAID provided urgent funding to replace a railway bridge over the Rivi Rivi River that was destroyed in February 2003. The bridge is essential for the transport of agricultural products, fertilizers, containers, and 40% of the country's fuel requirement via the deep water port of Nacala in Mozambique. It is due to reopen in mid-2004.

A less time-sensitive but equally important alliance was with D&S Gelfuel Limited for mass marketing of gelfuel products as an alternative renewable energy technology. This is expected to reduce charcoal use by 7,560 tons/year, equivalent to almost 53,000 tons/year of fuelwood. The mission plans to launch a new GDA activity in Contract Farming Development in Agribusiness.

- Democracy/Governance: USAID helped Malawians more actively participate in civic life. A sample survey undertaken in FY 2003 in districts benefiting from USAID-supported advocacy work found a mean total of 35.8% of citizens reporting taking some civic action in the last year, such as attending a meeting, raising an issue in a public forum, and/or attending a demonstration in order to solve problems, compared with 12% nationally. In 11 districts, USAID increased the services available to Malawians to resolve their problems at a community level, with the number of cases being resolved significantly exceeding the target (1,952 vs. 1,200). At the national level, USAID-financed technical assistance, training, and limited commodity assistance (computers and peripherals) to Malawi's National Assembly yielded impressive results. In 2003, Malawi's parliament rated 62.35 on the Quality of Legislative Committees Index as compared to 52.23 in 2001. (The Index is described in USAID's Democracy Center's Indicator Handbook, and was adapted for Malawi.)

On October 8, 2003, USAID/Malawi and the British Department for International Development (DfID) signed a Memorandum of Understanding recording DfID's intent to transfer a significant proportion of its own D/G funding to USAID/Malawi to manage for mutually agreed results over the FY 2004-FY 2007 period. The first tranche, for FY 2004 elections assistance, has already been received by the Mission.

- Health, Population, and Nutrition: USAID's HPN objective was particularly successful in its child health activities in FY 2003, reflecting overall U.S. Mission concern for vulnerable children. Sales of insecticide treated bednets to prevent malaria reached almost one million in FY 2003, or almost five-fold FY 2002 figures. Socially marketed oral rehydration solution sales were 87% above FY 2002 figures. In HIV/AIDS, condom sales were up 14% over the previous year; the number of individuals tested at USAID-assisted voluntary counseling and testing sites rose about 5%, and the Government of Malawi developed its first National AIDS Policy, with significant USAID support. In reproductive health, USAID's support to the Ministry of Health and Population for improved decentralized contraceptive commodity logistics in FY 2003 has set the stage for decentralized management of essential health drugs in future years. The mission plans to launch a new GDA activity in Reproductive Health and HIV/AIDS Prevention, Care and Support at Private Clinic(s) associated with tea, coffee, and/or sugar estates.

- Basic Education: The USAID education program supports the development of effective schools that provide positive learning environments for the majority of children. At the grass roots level, functional school committees, chosen by the communities to manage schools, have stabilized at 98% in FY 2003. In USAID target districts, third grade boys and girls showed measurable improvements in English reading. Twenty-three Malawians with scholarships financed by USAID have graduated from U.S. universities with degrees in education policy, planning, testing and measurement and primary methods, and have returned to relevant positions in Malawi. Stakeholders continued to advocate for early GOM approval of the Draft National Strategy on Teacher Education and Development and the Draft National Strategy on HIV/AIDS and Education, both of which were developed with USAID assistance. The Ministry of Education, Science and Technology has continued to develop its Education Management Information System into a real-time useful tool for critical decision making and planning.

USAID also continued implementing one Global Development Alliance in education. USAID and Lakeland College of Wisconsin matched contributions on a 1:1 ratio for scholarships for Malawian instructors for teacher training colleges. Lakeland College is providing five scholarships per year for Bachelor degrees in Primary Education. A total of 10 Malawians (five in each year) graduated in FY 2002 and FY 2003, and have assumed positions in Malawian Primary Teacher Training Colleges. The Mission plans to continue its alliance with Lakeland in FY 2004.

Cross-Cutting Themes: The Malawi program has made particular strides in integrating gender and HIV/AIDS issues across its portfolio. The HPN SO continues as USAID's strategic and tactical lead in addressing HIV/AIDS, and is pursuing a multisectoral approach, particularly through its mitigation and home-based care programs. USAID's Education SO addresses girls' access to education through social mobilization of community-based school management committees, which oversee and encourage girls' enrollment and attendance. The Education SO also includes a specific intermediate result (IR) to address HIV/AIDS; it has provided valued technical assistance to the Ministry of Education in development of a draft National HIV/AIDS in Education Strategy and of a new Life Skills Curriculum for HIV/AIDS education.

In the D/G program's legal aid activity, a sample survey in three of the 11 districts found that the highest incidence of cases related to land disputes and inheritance rights, followed by divorce, gender-based violence, and property grabbing as the next most common. Land disputes tend to affect women and men equally, but the other issues are having greater negative impact on women, particularly with the high death toll related to AIDS. It is not surprising that 50% of clients were women. USAID is increasing its attention to including more information on prevention as well as resolution of gender-based violence in future programming. Given the high rate of deaths attributable to AIDS, USAID is increasing its collaboration with partners to improve understanding of and approaches to inheritance rights for women, men, and Malawi's increasing orphan population.

The SEG community-based natural resource management activity, after conducting a study on the "Impact of HIV/AIDS on Natural Resource Management in Malawi," developed action-oriented recommendations for community-based HIV/AIDS mitigation activities which are being implemented. In addition to its broader dairy development activities, USAID's partner Land O'Lakes is also implementing a pilot dairy development module targeted at orphans and other vulnerable youth, particularly those affected by HIV/AIDS. Activity funding is being provided to the Malawi Social Action Fund to help form up to 25 dairy groups and to provide seed money for initial purchase and support of improved breeds of cows. USAID will monitor this experience closely to see if it bears wider replication. Women's membership in the USAID-assisted National Association of Smallholder Farmers of Malawi increased from 38% in 2002 to 41% in 2003, and women retained the leadership of over 55% of the member associations. Malawi's first commercial microfinance bank opened in mid-2003 and in the first three months of lending provided 73% of its \$54,000 in loans to women.

Malawi's "stand-alone" P.L. 480 Title II Development Assistance Program (DAP) partner, Catholic Relief Services (CRS), also provided care and support to 7,500 orphans and vulnerable children affected by AIDS. By the end of FY 2003, 4,382 orphans under five years of age were receiving supplemental feeding through their guardian families and were participating in community-based childcare center activities; 67.9% (2,233) of the 3,333 orphans of school age in the DAP areas attended school, as compared to only 30% at the start of the program; and almost 900 older orphans were apprenticed with community-based artisan trainers. The CRS approach of "mainstreaming" each cohort of AIDS-affected orphans in age-appropriate activities within the community not only helps the orphans, but serves as a gateway for reducing stigma.

P.L. 480 Title II Integration: In the aftermath of the food crisis, USAID/Malawi received considerable support from the Office of Food For Peace to transition from emergency food operations to longer-term development activities. Building on the positive experience of the Consortium for Southern Africa Food Emergency (C-SAFE), a consortium of eight NGOs is currently developing a new Title II DAP for FY 2005. This DAP would address increased household vulnerability to the shocks experienced during 2002-2003. USAID/Malawi continues to collaborate closely with the NGO consortium in order to maximize the potential for shared objectives and complementary activities. The new DAP will build upon the lessons learned from C-SAFE and the CRS "stand-alone" DAP, now in its last year.

Cross-Cutting Policy Reform and Analysis: FY 2003 was the last year of USAID's eight-year Natural Resources Management and Environmental Support Program (NATURE) activity under SO 612-002, which included \$26 million of non-project assistance (NPA). A signal event at the very end of the program was the approval by the Secretary to the Treasury of a revenue sharing scheme for tourism concessions and gate collections at national parks, wherein the government and local communities each receive 50% of revenues.

**Country Close and Graduation:**

## **Results Framework**

**612-001 Increased Agricultural Incomes on a Per Capita Basis**

**612-002 Increased Sustainable Use, Conservation and Management of Renewable Natural Resources**

**612-003 Increased Adoption of Measures that Reduce Fertility and Risk of HIV/AIDS Transmission, Including Improved Child Health Practices**

**612-004 Increased Access to, and Improved Quality and Efficiency of Basic Education, Especially for Girls**

**612-005 Institutional Base for Democratic Participation Strengthened and Broadened**

**612-006 Sustainable Increases in Rural Incomes**

**SO Level Indicator(s):**

Total additional household income directly attributable to USAID activities (US\$)

**6.1** Agricultural productivity increased.

**6.2** Employment in agriculturally linked enterprises increased.

**6.3** Increased household revenue from community based natural resource management activities.

**6.4** Reduced vulnerability of rural households to food-price shocks.

**612-007 Increased Civic Involvement in the Rule of Law**

**SO Level Indicator(s):**

Percentage of Malawians who actively participate in civic life, nationally

Voter turnout in local government elections (%)

Voter turnout in national elections for president and parliament (%)

**7.1** Increased Access to Justice

**7.2** Increased advocacy in support of the rule of law

**7.3** Selected accountability institutions more responsive with citizen participation

**7.4** National elections free and fair.

**612-008 Increased Use of Improved Health Behaviors and Services**

**SO Level Indicator(s):**

Contraceptive Prevalence Rate

Number of clients seen at USAID-assisted Voluntary Counseling and Testing centers

Percent of children under 5 years sleeping under an Insecticide-Treated Bednet (ITN)

**8.1** Behavior change enabled

**8.2** Quality of Health Services Improved

**8.3** Access to services Increased

**8.4** Health Sector Capacity Strengthened

**612-009 Improved Quality and Efficiency of Basic Education**

**SO Level Indicator(s):**

Percentage of all Grade 3 pupils achieving full mastery in reading English, 4 "new" target districts

**9.1** Teachers' professional skills improved.

**9.2** More effective schools.

**9.3** Key policy reforms implemented.

**9.4** Impact of HIV/AIDS mitigated in education